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YEAR-END REVIEW AND OUTLOOK

Despite Some Softness, 1990 Should be Another Year of Growth

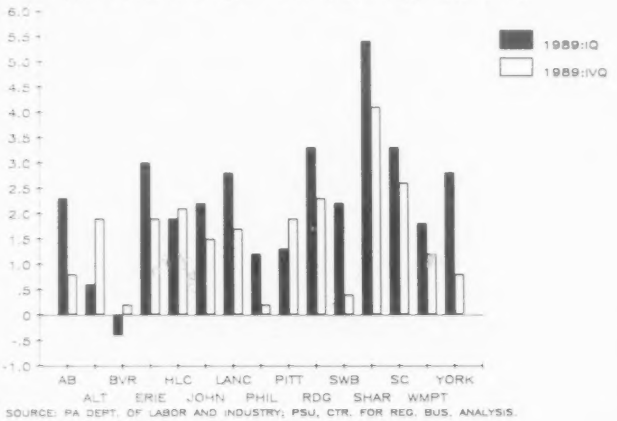
One theme has tied together the past several issues of the *Pennsylvania Business Survey*. **While the economy continues to move forward, most indicators show at least a modest decline in the rate of growth as 1989 progressed.** In terms of job growth, the slowdown appears to be widespread across the State. Nonfarm job growth declined between the first and fourth quarters of 1989 in 11 of the Commonwealth's 15 metro areas (chart). All things considered, the evidence taken as a whole suggests that economic growth peaked early in 1989 and has slowed from record high readings ever since.

A review of the qualitative-type forecast presented in the *PBS* a year ago shows that our expectations were quite accurate. As expected, employment did rise to another record and the jobless rate came in well below 5 percent. Income and spending continued to rise, though not as briskly as in previous years. The picture in manufacturing is best characterized as holding steady with the first half of the year slightly stronger than the final six months. In terms of jobs, the service-producing industries continued to be the engine of growth. Housing was weak during the year, especially relative to the brisk pace of activity in the mid 1980s. The apparent satisfaction of pent up demand and a questionable economic outlook combined to limit new housing construction. Pennsylvania responded as expected to trends nationwide which, year after year, continue to determine the pace of activity in the Commonwealth.

Taken as a whole, **1989 was a good year on the employment/unemployment front.** For the fifth straight year, a record number of Pennsylvanians were counted as employed. The official employment reading of 5,592,000 represents a gain of 2.2 percent from 1988, pretty much in line with the average gain of 2.4 percent recorded over the 1983-1988 period. These results would have been more impressive were it not for a noteworthy deterioration in trends as the year wore on. After peaking in March employment declined on a seasonally adjusted basis in six of the next nine months. The 122,000 additional residents counted as employed in 1989 relative to 1988 helped absorb a net inflow into the labor force totaling 93,000 and reduced the number of unemployed by 29,000. As a result, the jobless rate fell another 0.6 percentage point to 4.5 percent, the lowest it has been since a similar reading in 1970. **However, as the year came to a close, there were some worrisome signs on the unemployment front as the number of residents listed as without a job exceeded year ago readings in November and December, a trend which continued into January.**

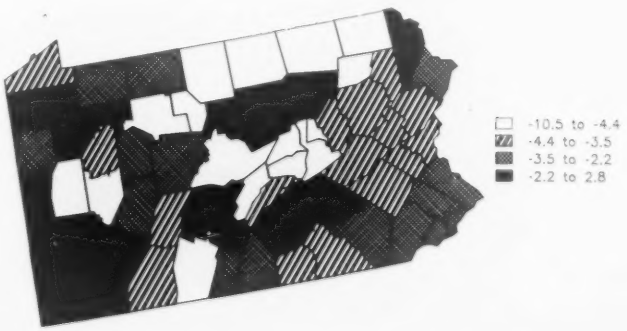
All but two counties witnessed a decline in annual employment growth between January and December. In percentage point terms, the decline was most pronounced in several counties in central and northern Pennsylvania and in the Scranton-Wilkes-Barre and Allentown-Bethlehem regions (chart). In some cases, large declines in employment growth

PA METRO AREA NONFARM JOB GROWTH
(percent change from year-ago quarter)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

CHANGE IN COUNTY EMPLOYMENT GROWTH FROM JAN. TO DEC. 1989
(percentage point change in annual employment growth rates)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

are associated with relatively large employment growth rates initially. Southwestern and southeastern Pennsylvania had the smallest declines.

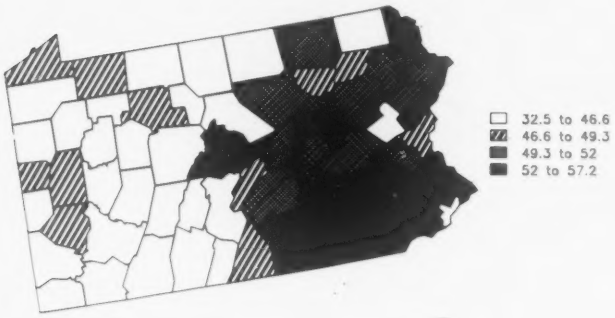
Improvement in the employment/unemployment situation over the past several years has given rise to concerns of a labor shortage in Pennsylvania. Several times in the past in the *Survey*, these concerns have been downplayed. **While employers in some regions undoubtedly face difficulties in hiring workers, most likely at the lower end of the pay scale and for those positions requiring special skills, circumstantial evidence suggests that the problem is probably not Statewide.** Labor force participation rates represent a useful measure of labor market tightness. Statewide, 49.3 percent of the population was counted as in the labor force in 1988. Every county west of Centre County had participation rates below average, often by a considerable amount (chart). Just the opposite is true for the eastern half of the Commonwealth. This evidence suggests that where problems do exist, they are probably regionalized. These problems appear to be concentrated in eastern Pennsylvania, especially in the southeast. (Since this analysis is carried out at the county level, total population figures had to be used in calculating participation rates as working age population data are not available. Hence, the results are not adjusted for those "nonworking age" portions of the population. Nonetheless, the obvious geographical patterns in the data support the contentions highlighted here.) Still, demographic trends (especially slow growth in the working age population) are likely to limit employment growth in coming years, if they have not already done so. As a result, caution should perhaps be

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	Nov.	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,168*	5,151	5,108	5,122*	5,114	5,071	112.2	112.0	111.1
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,119*	4,106	4,047	4,076*	4,072	4,013	126.5	126.3	124.5
Mining	28	28	29	28	28	29	58.1	58.5	60.4
Contract construction	252*	238	235	245*	241	238	133.1*	130.9	129.3
Transportation	152	153	152	149	150	149	92.5*	93.2	92.8
Public Utilities	103	103	104	103	103	104	102.6*	102.4	103.3
Wholesale trade	271	272	273	271*	271	272	122.2*	122.3	122.8
Retail trade	900*	905	912	882*	876	883	122.9*	122.2	123.2
Finance, insurance & real estate	298	298	293	298*	299	294	137.1*	137.3	135.0
Service & miscellaneous	1,398*	1,395	1,345	1,395*	1,399	1,348	161.8*	162.2	156.3
Federal government	139*	139	139	140*	139	140	109.0*	108.8	108.9
State & local government	579	575	566	566	567	557	97.2	97.2	95.5
Manufacturing									
No. of wage and salary jobs (thous.)	1,047*	1,043	1,060	1,046*	1,042	1,058	77.9*	77.6	78.9
Durable goods	593	591	606	592	591	605	73.1	73.0	74.7
Nondurable goods	455	452	454	454	451	453	85.4	84.8	85.2
Ave. wkly. hrs. worked by prod. workers	41.1*	40.7	41.1	40.7*	40.1	40.5	103.0*	101.6	102.5
Total wkly. person-hours worked (mils.)	29.7*	29.3	30.0	29.3*	28.9	29.5	76.4*	75.4	77.0
Total wkly. payroll (mil. dols.)	318.5*	316.9	313.7	313.1*	310.1	306.9	139.4*	138.0	136.6
Average hourly earnings (dollars)	10.72	10.80	10.47	10.69	10.72	10.40	182.7*	183.3	177.8
Average weekly earnings (dollars)	440.59	439.56	430.32	434.08	429.26	420.36	187.6*	185.6	181.7
Steel production (thous. tons)	757	808	1,058	n.a.	n.a.	n.a.	38.9	42.1	55.5
Industrial electric power sales (mil. kwh)	3,583	3,724	3,768	3,692	3,805	3,865	100.0	103.0	104.7
Mining									
Anthracite coal (thous. net tons)	339	291	258	297	300	257	60.8	61.3	52.6
Bituminous coal (thous. net tons)	6,497	5,367	5,006	6,409	6,290	5,762	90.9	89.2	81.7
Construction contracts awarded (mil. dols.)									
Total	692.5	619.0	683.5*	771.6	778.1	844.0	239.8	241.9	262.3
Residential building	295.2	229.6	311.3*	338.5	302.3	400.8	240.5	214.8	284.8
Nonresidential building	310.7	249.4	221.7*	281.6	331.0	280.2	259.6	305.1	258.3
Nonbuilding (utilities and public works)	86.6	140.0	148.9*	151.5	144.8	163.0	209.0	199.8	224.9
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,598	5,575	5,543	5,607	5,586	5,556	116.7	116.2	115.6
Unemployed									
No. of persons (thous.)	312	305	261	315	307	266	78.4	76.6	66.2
Rate (percentage of labor force)	5.3	5.2	4.5						
Rate, seasonally adjusted				5.3	5.2	4.5			
Civilian labor force, no. of persons (thous.)	5,910	5,880	5,804	5,922	5,893	5,822	113.7	113.2	111.8
Initial claims for unemployment benefits	100,857	141,203	124,392	101,287	100,773	86,907	70.7	70.4	60.7

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1989		1988	*Month Ago*	*Year Ago*
	Nov.	*Dec.*	*Dec.*		
U.S. city average	125.9	126.1	120.5	0.2	4.6
Philadelphia	130.1	129.9	125.6	−0.2	3.4
Pittsburgh	n.a.	121.8	116.7	n.a.	4.4

[1] Total includes workers on strike. * = figure revised n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

1988 LABOR FORCE PARTICIPATION RATES BY COUNTY
(labor force as a percent of total population)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; U.S. DEPT. OF COMMERCE.

used in relying solely on employment and unemployment trends to gauge the economy's strength.

Retail sales growth was anemic in 1989. Through the first 11 months of the year, sales were up a slight 3.2 percent, not enough to make up for inflation. Sales growth in October and November has been especially weak. Nationwide, sales came in 5.3 percent higher than a year ago during 1989. Weakness persisted throughout the year in the automotive sector as new registrations were down nearly one-fourth through November from the same period in 1988 and auto-related sales were down 4.2 percent. The slowdown in retail sales has apparently limited the increase in Pennsylvania sales and use tax collections. During calendar year 1989, collections were up 3.8 percent, the weakest gain in several years. Weakness is especially evident in tax collections for the motor vehicles component of the total.

There is a noticeable difference in retail sales growth between the Philadelphia and Pittsburgh-Beaver Valley metro areas. **Sales growth in Philadelphia was more than double the increase in Pittsburgh through the first 11 months of the year.** The only decline in the Philadelphia region is in the auto dealers category. (Beginning with this issue of the *PBS*, retail sales information will be reported for the Pittsburgh-Beaver Valley and Philadelphia metropolitan areas on a quarterly basis. This represents an additional attempt to broaden the scope of analyses contained in the *Survey*.)

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	November	Pct. chg.	Year-to-date	Pct. chg.
Total	7,063	2.0	72,639	3.2
Durables	2,297	– 4.7	26,635	– 0.1
Bldg. mat.		– 7.5		– 5.0
Auto dlrs.		– 8.8		– 4.2
Furniture		2.3		15.6
Other		3.8		7.1
Nondurables	4,766	5.6	46,004	5.1
Gen. mdse.		4.0		0.6
Food/grocery		2.9		4.5
Gas		9.9		5.6
Apparel		6.2		4.6
Eat/drink		12.4		6.0
Drugs		15.7		12.1
Other		– 1.8		8.9
Seas. adj. total: November		6,914		
October		6,766		

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

Philadelphia and Pittsburgh retail sales
(millions of dollars; pct. chg. from year ago; data through Nov.)

	Philadelphia		Pittsburgh	
	Year-to-date	Pct. chg.	Year-to-date	Pct. chg.
Total	30,130	7.6	12,909	3.5
Durables	11,104	3.5	4,335	– 1.4
Bldg. mat.		8.5		0.6
Auto dlrs.		– 3.2		– 2.8
Furniture		12.5		12.3
Other		17.7		– 5.8
Nondurables	19,026	10.2	8,574	6.2
Gen. mdse.		0.6		– 2.3
Food/grocery		10.9		2.9
Gas		5.4		13.4
Apparel		6.2		6.4
Eat/drink		18.0		7.8
Drugs		17.9		18.4
Other		16.0		10.6

Source: U.S. Dept. of Commerce, Bur. of the Census.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

Despite the sluggish showing on the part of retail sales, these establishments generated 4,000 additional jobs during the year. **The 885,000 workers represent a new record in the retail trade industry. However, job gains slowed as the year wore on.** In the first quarter, jobs totaled 12,000 more than a year ago. By the fourth quarter, they were actually down by 2,000 from the same period in 1988.

The slump which began in 1987 in the construction of new homes in Pennsylvania intensified in 1989. After rising at double-digit rates from 1983 through 1986, the number of new housing permits authorized by permit rose 4 percent in 1987, declined 1.6 percent in 1988, and fell an additional 13.1 percent last year. On the nonresidential side, preliminary estimates show new permits down 7.5 percent from a year ago. Comparable and reliable monthly permit data are available for 14 of the counties which are in metropolitan areas in the Commonwealth. Permit authorizations declined in 12 of the 14 counties on the residential side while 10 counties witnessed a decline in the number of permits for nonresidential projects in 1989.

Pennsylvania's showing relative to the U.S. was mixed. **The drop in the number of new residential permits was nearly twice as large as the nation's. On the nonresidential side, the U.S. decline was one percentage point larger than in Pennsylvania.**

The value of new construction contracts awarded averaged $873.2 million per month in 1989 in the Commonwealth, up 6.3 percent from a year ago. About one-half of that gain

New Pennsylvania motor vehicle registrations
(percent change from year ago)

	Total registrations	Pct. change
November	38,505	– 24.4
1989 YTD	613,451	– 7.7
12-month total	677,389	– 6.2

Source: R.L. Polk & Co.

New Pennsylvania building permit authorizations (percent change from year ago)

	Dec.	Pct. chg.	Year-to-date	Pct. chg.
Residential	2,611	−23.3	46,758	−13.1
Nonresidential	668	−31.1	21,398	− 7.5

Source: U.S. Dept. of Commerce, Bureau of the Census.

is attributable to inflationary pressures, resulting in a "real" gain of 3 percent. This represents an improvement over 1988's results but it does trail considerably the average gain of the previous five years. The only decline in contract values occurred in the residential sector.

Pennsylvania's construction industry also employed a record number of workers as 10,000 jobs were added over the year. While job growth did slow as the year progressed, fourth quarter readings were still 6,000 above a year ago.

For nonmanufacturing as a whole, job growth came in at 1.7 percent in 1989, only about one-half the rate of growth in the nation. Over the 1982-1988 period, job growth averaged 2.6 percent each year. These industries maintained 3,779,000 jobs in 1989 for another new record. In addition to retail trade and construction, other industries with record levels of employment in 1989 were: wholesale trade, finance, and services. Once again, the services industries led the way as job growth in these industries came to 3.5 percent.

On the factory side, the number of jobs fell an additional 0.4 percent to 1,052,000 in 1989. Since the recovery in the economy as a whole began in the early 1980s, employment in these all-important industries is down more than 7 percent. Last year's decline was concentrated in the durable goods component.

Many argue that Pennsylvania's economy is much more diversified compared to previous decades. While this is cer-

Annual Review of Major Economic Indicators — Pennsylvania and the United States

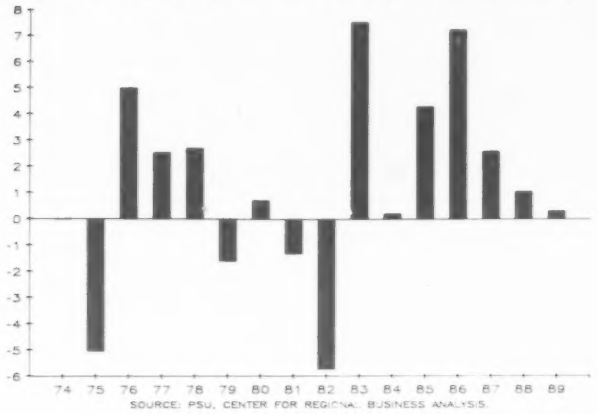
	Pennsylvania					United States		
	Mo. Ave.		Pct. change from			Pct. change from		
	1989	1988	1988	82/83 ave	1979	1988	82/83 ave	1979
No. of wage and salary jobs (thous.)								
All nonfarm industries	5,104	5,036	1.4	12.0	6.0	2.8	20.8	20.9
Manufacturing	1,052	1,056	−0.4	−7.2	−24.2	1.1	5.4	−6.8
Durable goods	598	603	−0.8	−8.6	−30.0	0.9	6.0	−9.6
Primary metals	92	91	1.1	−30.0	−54.9	1.0	−10.8	−37.6
Nondurable goods	454	453	0.2	−5.3	−14.8	1.4	4.6	−2.5
Nonmanufacturing	4,046	3,978	1.7	18.3	18.3	3.2	24.8	29.3
Mining	28	29	−3.4	−34.1	−46.2	0.1	−30.6	−24.6
Construction	241	231	4.3	44.3	18.1	3.4	35.0	18.8
Service-producing industries	3,779	3,718	1.6	17.7	19.5	3.2	25.1	30.9
Transportation and public utilities	251	252	−0.4	2.7	−7.7	2.8	13.7	11.0
Wholesale trade	271	270	0.4	12.7	13.4	3.4	18.2	19.8
Retail trade	885	881	0.5	18.6	17.5	2.4	27.1	30.6
Finance, insurance, and real estate	297	293	1.4	23.0	26.9	2.1	26.1	37.0
Services and miscellaneous	1,375	1,328	3.5	29.8	45.7	5.0	38.8	57.1
Federal government	139	141	−1.4	4.5	6.1	0.6	8.4	7.8
State and local government	560	554	1.1	2.7	−5.1	2.4	12.5	11.9
Ave. wkly. hours worked by production workers								
All manufacturing industries	40.6	41.0	−1.0	4.6	1.8	−0.2	3.8	2.0
Durable goods	41.7	42.0	−0.7	5.0	1.2	−0.5	4.0	2.0
Primary metals	42.8	42.9	−0.2	11.6	3.1	−1.1	8.7	3.9
Nondurable goods	39.3	39.7	−1.0	4.4	3.7	0.0	3.3	2.3
Total factory person-hours worked (mils.)	29.5	29.7	−0.7	−1.3	−25.7	0.6	9.7	−9.5
Total factory payrolls (mil. dols.)	312.0	304.6	2.4	18.6	12.6	3.6	32.6	41.6
Average hourly earnings (dollars)	10.59	10.27	3.1	20.5	51.5	2.8	20.9	56.3
Average weekly earnings (dollars)	430.20	421.07	2.2	26.2	54.4	2.6	25.5	59.4
Steel production (thous. tons)	991	1,139	−13.0	−0.5	−57.8	−2.4	22.5	−28.5
Industrial electric power sales (mil. kwh)	3,794	3,818	−0.6	13.3	−4.0	2.8	19.5	7.9
Mining								
Anthracite coal (thous. net tons)[1]	285	290	−1.7	−21.2	−29.3			
Bituminous coal (thous. net tons)	5,870	5,591	5.0	0.3	−21.0	2.6	20.5	25.1
Construction contracts awarded								
Total, current dollars (mils.)	873.2	821.8	6.3	122.0	126.5	0.2	49.3	55.0
Residential building	365.0	368.2	−0.9	133.2	117.5	−1.2	57.7	61.5
Nonresidential building	327.3	286.6	14.2	124.0	141.5	2.7	52.7	85.4
Nonbuilding (utilities and public works)	180.9	167.1	8.3	99.2	120.1	−1.1	26.8	9.1
Total, constant 1982 dollars (mils.)[2]	728.3	707.2	3.0	87.6	52.8	−2.9	26.3	4.6
Residential building	304.4	316.9	−3.9	97.5	46.8	−4.3	33.6	9.0
Nonresidential building	273.0	246.6	10.7	89.3	63.0	−0.5	29.0	25.1
Nonbuilding	150.9	143.8	4.9	68.0	48.5	−4.1	7.1	−26.4
Employed, no. of persons (thous.)	5,592	5,470	2.2	14.8	13.2	2.1	17.1	18.7
Unemployed								
No. of persons (thous.)	264	293	−9.9	−57.7	−28.3	−2.6	−39.0	6.4
Rate (percentage of labor force)	4.5	5.1						
Civilian labor force, no. of persons (thous.)	5,857	5,764	1.6	6.5	9.3	1.8	11.7	18.0
Initial claims for unemployment benefits (thous.)	91	83	9.6	−47.4	−36.8			
Consumer Price Index for All Urban Consumers, all items (1982-84 = 100)								
U.S. city average						4.8	26.5	70.8
Philadelphia	128.3	122.4	4.8	30.9	73.6			
Pittsburgh	120.1	114.9	4.5	22.9	68.7			

NOTES: All data are preliminary and are subject to revision.

[1]Pennsylvania is the only state mining Anthracite coal.

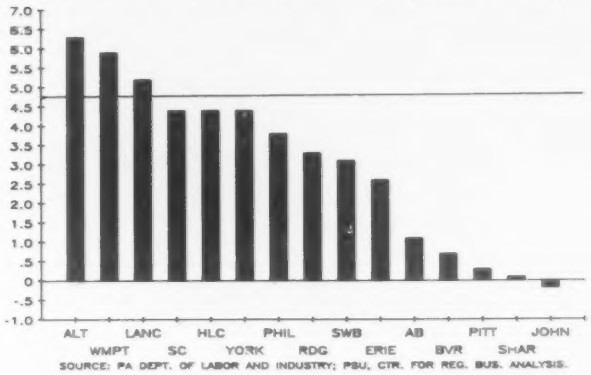
[2]Deflated by an estimated annual average of the U.S. Department of Commerce Monthly Composite Construction Cost Index.

GROWTH IN PENNSYLVANIA MANUFACTURING OUTPUT
(annual pct. chg. in the PA Mfg. Activity Index)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

PERCENT CHANGE IN 1989 AVERAGE HOURLY MANUFACTURING EARNINGS BY PA METRO AREA
(horizontal line corresponds to the 4.7 percent estimated increase in consumer prices in PA)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

tainly true when looked at on an intersectoral basis, **recent job trends suggest that Pennsylvania's manufacturing sector remains concentrated in "slow-growth" industries** (table). Over the 1975-1982 period, 19.6 percent of all manufacturing jobs in Pennsylvania were in those industries with job growth rates above the national average for the factory sector as a whole. Between 1982 and 1989, this share actually declined to 16.8 percent. In other words, 83.2 per-

Historical job trends in Pennsylvania manufacturing industries

1975-1982 Job Growth Rank	Industry	1975-1982 Avg. Ann. Job Growth	1982-1989 Job Growth Rank	Industry	1982-1989 Avg. Ann. Job Growth
	ABOVE-AVERAGE GROWTH			ABOVE-AVERAGE GROWTH	
1	Instruments	1.6	1	Lumber/Wood	7.9
2	Chem. Prods.	0.9	2	Rubber/Plastics	2.7
3	Printing/Pub.	0.8	3	Printing/Pub.	2.2
4	Paper Prods.	0.4	4	Furniture	2.1
5	Furniture	0.4			
	PCT. OF ALL MFG. JOBS IN 1982	19.6		PCT. OF ALL MFG. JOBS IN 1989	16.8
	BELOW-AVERAGE GROWTH			BELOW-AVERAGE GROWTH	
			5	Chem. Prods.	0.4
6	Petrol./Coal Prods.	0.0	6	Paper Prods.	0.3
7	Lumber/Wood	– 0.5	7	Food Prods.	0.0
8	Rubber/Plastics	– 0.6	8	Miscellaneous	– 0.1
9	Trans. Eq.	– 0.9	9	Trans. Eq.	– 0.8
10	Food Prods.	– 1.1	10	Fab. Metals	– 0.9
11	Nonelec. Mach.	– 1.4	11	Instruments	– 1.1
12	Apparel	– 2.1	12	Stone/Clay/Glass	– 1.2
13	Elec. Eq.	– 2.2	13	Nonelec. Mach.	– 1.9
14	Stone/Clay/Glass	– 2.3	14	Elec. Eq.	– 2.9
15	Fab. Metals	– 2.4	15	Textiles	– 3.1
16	Miscellaneous	– 3.6	16	Apparel	– 4.7
17	Textiles	– 3.7	17	Leather Prods.	– 5.3
18	Leather Prods.	– 4.0	18	Prim. Metals	– 6.1
19	Prim. Metals	– 5.0	19	Petrol./Coal Prods.	– 6.3
20	Tobacco Prods.	– 8.9	20	Tobacco Prods.	–11.6
	PCT. OF ALL MFG. JOBS IN 1982	80.4		PCT. OF ALL MFG. JOBS IN 1989	83.2

Source: U.S. Dept. of Labor; PA Dept. of Labor and Industry; PSU, Ctr. for Reg. Bus. Analysis.

New PA metropolitan county bldg. permit authorizations (percent change from year ago; only those counties shown are asked to report all permitted activity)

	1989: IVQ	Pct. chg.	Year-to-date	Pct. chg.
Residential units				
Allentown-Beth. MSA	478	-28.6	2,425	-31.9
Carbon	60	66.7	255	-21.3
Lehigh	197	-48.8	1,142	-28.0
Northampton	221	-10.9	1,028	-37.8
Beaver County MSA	72	-16.3	369	26.8
Philadelphia MSA	2,396	-24.5	11,677	-23.7
Bucks	623	-39.3	3,069	-28.4
Chester	603	-22.0	3,166	-16.1
Delaware	281	12.4	1,266	-20.0
Montgomery	788	- 1.3	3,576	- 8.3
Philadelphia	101	-68.8	600	-66.0
Pittsburgh MSA	1,147	16.6	4,662	-16.0
Allegheny	789	21.6	2,868	-19.5
Fayette	48	- 7.7	278	-25.3
Washington	125	19.0	538	2.1
Westmoreland	185	3.9	978	- 9.8
Adams County	170	-12.8	705	-23.0
Nonres. buildings				
Allentown-Beth. MSA	274	-19.6	1,851	-14.7
Carbon	20	- 4.8	105	-26.6
Lehigh	100	-43.5	822	- 7.8
Northampton	154	7.7	924	-18.7
Beaver County MSA	59	13.5	308	-17.4
Philadelphia MSA	961	-10.4	4,997	-10.4
Bucks	319	- 4.8	1,578	-24.9
Chester	204	-20.6	1,179	- 2.4
Delaware	115	-21.8	563	-14.3
Montgomery	284	- 4.1	1,516	7.2
Philadelphia	39	5.4	161	-18.7
Pittsburgh MSA	395	- 3.2	2,405	3.1
Allegheny	203	-11.7	1,250	8.2
Fayette	22	-59.3	239	-14.3
Washington	72	22.0	396	- 6.8
Westmoreland	98	50.8	520	9.7
Adams County	38	-33.3	275	9.1

Source: U.S. Dept. of Commerce, Bureau of the Census.

cent of all jobs in the Pennsylvania manufacturing sector have been in "slow-growth" industries during the past seven years. Hence, **the diversity of the Commonwealth's manufacturing sector is questionable, suggesting that these industries, which still account for more than one-fifth of all jobs in Pennsylvania, may continue to dampen overall job gains.**

Despite the downtrend in factory jobs in recent years, trends in the Pennsylvania Manufacturing Activity Index suggest that output remains on the rise (chart). However, production growth was a minimal 0.3 percent in 1989, the second lowest gain in seven years. Steel production was down 13 percent for the year. Compared to 1979, prior to the onset of the recessions, steel production is down more than one-half in the State's mills. The average workweek fell 0.4 hour in 1989 which suggests that an uptick in hiring activity is unlikely. Average hourly earnings rose 3.1 percent, not enough to keep up with price increases. In fact, of the 15 metro areas in the State, only three saw average hourly earnings increase at a rate higher than that for the overall price level last year (chart). Such a trend has potentially negative implications for the standards of living of factory workers. However, it does ignore the impacts of nonwage benefits. Nationwide, the growth in nonwage benefits has been quite high.

Determining the future course of the Pennsylvania economy is especially difficult this year because of conflicting signals as to the likely course of U.S. trends. Overall economic conditions in the U.S. deteriorated as the year drew to a close. Few appear to believe that the national economy is poised to accelerate. The risk appears to be on the downside. A considerable minority is forecasting a recession in the immediate future. Many of those forecasting continued growth concede that a recession is possible and that there is a fine line between continued sluggish growth and an appreciable slump. Once again, officials at the Federal Reserve are likely to come under intense policy pressures. In determining the appropriate course of monetary policy, the Fed will have to take into account inflationary expectations, the likelihood of recession, the budget and trade deficits, the national debt, and the value of the dollar in foreign exchange markets. Clearly, the monetary officials will be walking a policy tightrope. **All things considered, we believe that the U.S. economy will continue to expand, but at a sub-par rate of less than 2 percent. This sluggish growth will dominate the financial markets and, after some upward pressure early in the year, interest rates are likely to fall as the year goes on. However, an alternative scenario finds monetary officials constrained by some of those concerns outlined above, which may prevent any downtrend in interest rates. However, any decline will likely not be enough to push the economy onto a higher growth path. Likewise, inflationary pressures are expected to ease in coming months, but again, only by a relatively small amount.**

In the absence of any positive developments nationwide, the year-end sluggishness evident in Pennsylvania is likely to continue well into 1990. The decline in interest rates will not be enough to spur additional activity in construction and the factory sector. Overall sluggish growth will not bring about the gains in income necessary to spur retail sales. This overall weakness will spread into the service-producing industries where job gains will be further reduced. The downtrend in the Pennsylvania index of leading indicators throughout much of 1989 also points to a cloudy outlook (chart).

Specifically, we look for the following developments in 1990:

- **Employment is likely to hold steady with the first half of the year looking especially weak compared to a year ago before some improvement in the second half. Some upward pressure on joblessness is probable. Certainly, another significant decline in the jobless rate is unlikely in light of the anemic employment outlook;**
- **1990 will be another unimpressive year for Pennsylvania's factories. Jobs will continue to edge down. At best, production will inch forward, though a slight decline is more likely. With weakness in job growth expected to continue in the retail and construction industries, services will again provide practically all new jobs. Even here, job growth is expected to fall short of the gains recorded in previous years;**

— **Retail sales growth will once again struggle to match price gains with much of the weakness falling in the durable goods categories; and**

— **The best bet is for building activity to remain weak on both the residential and nonresidential sides. However, if any event has the potential to spur the economy, it may be a second half uptick in housing activity in response to lower mortgage rates.**

After the first signals of a slowdown began to emerge earlier in 1989, attempts were often made to conclude the monthly overviews of economic activity by cautioning against an overly-pessimistic view of the Commonwealth's economy. Such a caution is once again warranted. **The outlook is for sluggish growth, but it comes some seven years into the current expansion, a recovery which, nationally, is almost unprecedented in length. Despite some rumblings in the economic community concerning the end of the business cycle, another recession is sure to strike within the near-term. Should the current sluggishness be the start of such a downturn, it should not be interpreted as evidence of failure on the part of State policy makers, past or present, or that something is inherently wrong with the Pennsylvania economy. Rather, it simply represents the cyclical nature of economic growth nationwide, and its impacts on the State.**

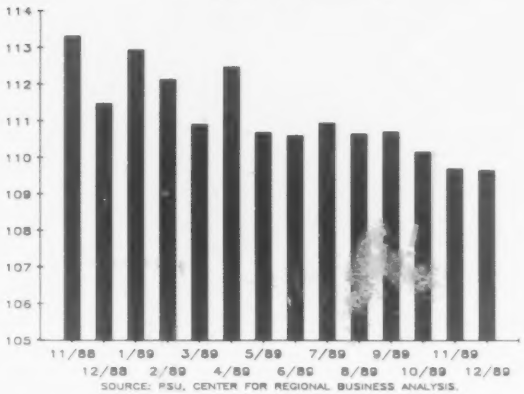
This is not to say that the long-term outlook for Pennsylvania, above and beyond the likely cyclical downturns, is worry-free. Demographic patterns may limit the potential growth in population-sensitive industries such as retail trade and housing. Trends in 1987 and 1988 suggest that Pennsylvania has the potential to perform on par with the U.S. However, a relatively weak showing in 1989 brings into question the State's ability to do so over a prolonged period of time. The Commonwealth's concentration in "slow-growth" manufacturing industries outlined above is cause for concern. In sum, the gains which have been realized in recent years are welcome, but more evidence is required to determine if these gains are indicative of an economy which is stronger and more competitive over the long-run.

— William D. Anderson

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
April 1989	112.5	86.0	1.4	−1.1
May	110.7	85.1	−1.6	−1.0
June	110.6	85.3	−0.1	0.3
July	110.9	84.8	0.3	−0.6
August	110.6	84.3	−0.3	−0.6
September	110.7	83.9	0.1	−0.5
October	110.1	83.7	−0.5	−0.2
November	109.7	84.2	−0.4	0.5
December	109.6	83.5	0.0	−0.7

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

Around the State

Northeastern Quarter

Allentown-Bethlehem

After a prolonged period of relatively impressive growth, economic activity showed signs of slowing in 1989 in the four counties of the Allentown-Bethlehem metropolitan area. At the least, the growth in several measures of activity slowed relative to previous years. Activity was once again unbalanced across the different sectors of the economy, though not to the same degree as in the early 1980s.

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	318.3	116	115	114
Unemployed, no. of residents	16.6	86	71	67
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	334.8	114	112	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	285.0	110	110	110
Nonmfg. only, no. of jobs	208.4	139	138	136
Mfg. only, no. of jobs	76.4	71	71	72
Hrs. worked by production workers in mfg., *ave. weekly*	39.7	104	103	105
Industrial electric power sales				
Metropolitan area	***	107	108	112
Allentown	***	93	94	98
Bethlehem	***	117	116	123
Easton	***	114	114	114
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	340.8	−17		
Nonresidential contracts only	192.5	−19		

[1]Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

One sector that held back overall economic growth last year was construction. The value of contracts awarded declined by nearly one-fifth on both the residential and nonresidential sides. For the three Pennsylvania counties included in the region, the number of new housing units authorized by permit was down by one-third with declines ranging from 21 percent in Carbon County to 38 percent in Northampton. This represents the second consecutive year in which permit authorizations have declined after several years of almost uninterrupted growth. Authorizations for nonresidential projects were off 15 percent. Construction job levels were 200 higher than in 1988, but this represents the smallest advance in six years.

The nonmanufacturing sector continued to add jobs in 1989 as the 205,000 positions in these establishments translate into a gain of 2.3 percent from 1988. This advance is down from the 3.9 percent average of the 1982-1988 period. Still, job levels rose to a new record for the seventh consecutive year. The region's largest industry, services, outperformed the economy as a whole as job growth totaled a strong 5.6 percent. However, employment growth in retail trade, at 1.4 percent, held back overall job gains.

	Allentown-Bethlehem			Altoona			Beaver		
	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	282.0	278.0	1.4	52.2	51.6	1.2	49.1	49.3	-0.4
Manufacturing	76.9	77.6	-0.9	10.7	11.0	-2.7	9.4	9.6	-2.1
Durable goods	35.1	36.3	-3.3	3.8	4.0	-5.0	7.0	7.3	-4.1
Nondurable goods	41.7	41.3	1.0	7.0	7.1	-1.4	2.4	2.3	4.3
Nonmanufacturing	205.0	200.3	2.3	41.4	40.5	2.2	39.7	39.8	-0.3
Ave. wkly. hours worked by production workers									
Manufacturing	39.5	40.1	-1.5	39.9	40.4	-1.2	43.3	42.4	2.1
Durable goods	41.6	42.1	-1.2	42.0	41.4	1.4	44.0	42.7	3.0
Nondurable goods	38.1	38.5	-1.0	38.7	39.8	-2.8	40.5	41.1	-1.5
Industrial electric power sales index (1977 = 100)	109.9	112.4	-2.2	76.6	77.5	-1.2			
Employment of Residents									
Employed, no. of persons (thous.)	319.2	311.1	2.6	57.0	55.5	2.7	55.6	54.8	1.5
Unemployed									
No. of persons (thous.)	14.5	14.3	1.4	3.8	4.1	-7.3	4.3	5.5	-21.8
Rate (percentage of labor force)	4.3	4.4		6.3	6.9		7.2	9.1	
Civilian labor force, no. of persons (thous.)	333.8	325.4	2.6	60.8	59.6	2.0	59.9	60.3	-0.7

	Erie			Harrisburg-Lebanon-Carlisle			Johnstown		
	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	116.6	113.8	2.5	305.7	299.8	2.0	80.4	79.1	1.6
Manufacturing	35.7	35.3	1.1	51.6	52.0	-0.8	13.6	13.5	0.7
Durable goods	24.5	24.0	2.1	23.6	23.8	-0.8	8.2	8.2	0.0
Nondurable goods	11.3	11.3	0.0	28.0	28.3	-1.1	5.3	5.3	0.0
Nonmanufacturing	80.8	78.5	2.9	254.0	247.8	2.5	66.6	65.6	1.5
Ave. wkly. hours worked by production workers									
Manufacturing	42.8	43.0	-0.5	39.9	39.8	0.3	39.1	39.6	-1.3
Durable goods	42.4	42.4	0.0	40.5	40.8	-0.7	41.5	42.4	-2.1
Nondurable goods	43.7	44.2	-1.1	39.5	39.1	1.0	35.3	35.3	0.0
Industrial electric power sales index (1977 = 100)	113.5	116.6	-2.7	81.4	92.0	-11.5	156.3	186.5	-16.1
Employment of Residents									
Employed, no. of persons (thous.)	127.0	122.5	3.7	317.3	307.2	3.3	90.3	87.7	3.0
Unemployed									
No. of persons (thous.)	6.7	7.8	-14.1	12.3	12.7	-3.1	6.8	7.0	-2.9
Rate (percentage of labor force)	5.0	6.0		3.7	4.0		7.0	7.4	
Civilian labor force, no. of persons (thous.)	133.7	130.3	2.6	329.6	319.9	3.0	97.2	94.7	2.6

NOTE: All 1989 data are preliminary and are subject to revision.
All data are average of monthly figures.

The news is not nearly as impressive with respect to the manufacturing sector. Industrial power sales eased after peaking in 1988, suggesting that production activity was off a bit. Job levels were down another 700 in totaling 76,900, yet another record low reading. Job losses were concentrated in the durable goods industries, especially in the electronic and transportation equipment industries with a combined loss of 1,500 jobs. A decline in the average factory workweek suggests that hiring activity is likely to remain flat.

For the first time since the early 1980s, some upward pressure on unemployment was evident last year. All told, 14,500 residents were officially listed as without a job, up by 200 from a year earlier. The uptick was especially evident late in the year. By the fourth quarter, joblessness was up by 3,900 from the same three months in 1988. The jobless rate settled at 4.3 percent in 1989, practically unchanged from 1988's 4.4 percent.

Still, employment continued to surge after a gain of 2.6 percent. This translates into an advance of 8,100, leaving employment at another record high. If anything, employment growth was stronger in 1989 than in previous years. There has been much discussion of a developing labor shortage in

	Lancaster			Philadelphia			Pittsburgh		
	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	188.9	184.8	2.2	2,187.4	2,172.5	0.7	884.7	871.7	1.5
Manufacturing	59.2	60.1	-1.5	364.8	368.9	-1.1	126.6	124.9	1.4
Durable goods	34.3	34.9	-1.7	191.0	195.3	-2.2	89.4	88.9	0.6
Nondurable goods	24.8	25.2	-1.6	173.8	173.6	0.1	37.2	36.0	3.3
Nonmanufacturing	129.4	124.5	3.9	1,821.2	1,803.1	1.0	757.6	746.6	1.5
Ave. wkly. hours worked by production workers									
Manufacturing	40.6	40.5	0.2	40.5	40.4	0.2	41.9	42.2	-0.7
Durable goods	41.2	41.4	-0.5	41.9	41.6	0.7	43.0	42.8	0.5
Nondurable goods	39.9	39.4	1.3	38.9	39.1	-0.5	39.0	40.5	-3.7
Industrial electric power sales index (1977 = 100)	142.8	139.4	2.4	112.2	110.6	1.4	62.5	63.3	-1.3
Employment of Residents									
Employed, no. of persons (thous.)	218.2	211.0	3.4	2,354.6	2,319.9	1.5	936.1	909.3	2.9
Unemployed									
No. of persons (thous.)	7.3	7.7	-5.2	93.0	100.0	-7.0	45.0	55.5	-18.9
Rate (percentage of labor force)	3.2	3.5		3.8	4.1		4.6	5.8	
Civilian labor force, no. of persons (thous.)	225.5	218.7	3.1	2,447.6	2,419.9	1.1	981.1	964.8	1.7

	Reading			Scranton-Wilkes-Barre			Sharon		
	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	154.1	150.1	2.7	302.4	298.9	1.2	44.2	42.2	4.7
Manufacturing	48.8	48.0	1.7	71.4	71.7	-0.4	11.7	11.0	6.4
Durable goods	29.7	29.2	1.7	28.6	29.0	-1.4	10.2	9.5	7.4
Nondurable goods	19.2	18.8	2.1	42.8	42.6	0.5	1.5	1.5	0.0
Nonmanufacturing	105.3	102.0	3.2	230.8	227.0	1.7	32.5	31.2	4.2
Ave. wkly. hours worked by production workers									
Manufacturing	41.0	40.9	0.2	38.7	38.9	-0.5	41.5	42.6	-2.6
Durable goods	41.4	41.8	-1.0	39.8	40.4	-1.5	42.1	43.3	-2.8
Nondurable goods	40.4	39.5	2.3	38.0	38.0	0.0	35.4	36.7	-3.5
Industrial electric power sales index (1977 = 100)	145.3	139.2	4.4	117.1	112.3	4.3	113.6	116.9	-2.8
Employment of Residents									
Employed, no. of persons (thous.)	172.4	165.9	3.9	345.0	336.5	2.5	50.5	47.7	5.9
Unemployed									
No. of persons (thous.)	7.0	7.6	-7.9	20.0	21.5	-7.0	2.3	2.6	-11.5
Rate (percentage of labor force)	3.9	4.4		5.5	6.0		4.4	5.1	
Civilian labor force, no. of persons (thous.)	179.4	173.6	3.3	365.0	358.0	2.0	52.8	50.2	5.2

NOTE: All 1989 data are preliminary and are subject to revision.
All data are average of monthly figures.

many regions of Pennsylvania, including the northeast. However, some circumstantial evidence from 1988 suggests that these concerns may be overblown. Both Carbon and Northampton Counties had labor force participation rates below the Statewide average of 49.3 percent, suggesting some slack in labor markets. Lehigh County had 51.9 percent of its population counted as in the labor force.

The slowdown evident in overall economic growth in 1989 is likely to continue into 1990. Housing is likely to remain soft, manufacturing will stay weak (with some of the weakness spilling over into the service-producing industries, restraining job growth there), and joblessness is likely to continue to creep forward. Still, as long as the national economy remains afloat, the region should weather the downturn.

Scranton-Wilkes-Barre

Overall employment and unemployment trends remained positive in the Scranton-Wilkes-Barre metro area in 1989, though there was a worrisome uptick in unemployment as the year drew to a close, a development common throughout Pennsylvania. For the year, the jobless rate averaged 5.5 percent, down from 6 percent in 1988. However, in the fourth quarter, the rate came in at 6 percent, up from 5.4 percent in the final three months of 1988. Still, employment rose an additional 2.5 percent to 345,000, another new record despite a second half slowdown in growth. Although it remained positive through year-end, annual employment growth rates fell by 4 to 5 percentage points in each of the five counties of the metro area between January and December.

Growth in nonfarm jobs, which many analysts consider a more reliable indicator of trends than the resident employment data, grew by just 1.2 percent in 1989, less than one-half the gain in employment. Once again, a slowdown was evident as the year progressed. In the first quarter, nonagricultural job levels were 2.2 percent higher than a year ago. In the final three months of the year, the gain was a minimal 0.4 percent.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 4 Q.'89	Average monthly index seas. adj. (1977 = 100) 4 Q.'89	3 Q.'89	4 Q.'88
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	342.9	120	120	120
Lackawanna County[2]	104.5	115	115	114
Luzerne County[3]	151.7	114	114	113
Unemployed, no. of residents				
Metropolitan area	22.1	74	61	66
Rate, seasonally adjusted	6.1			
Lackawanna County[2]	6.6	73	59	58
Luzerne County[3]	10.3	68	58	68
Civilian labor force, no. of residents				
Metropolitan area	365.0	116	114	114
Lackawanna County[2]	111.0	111	109	109
Luzerne County[3]	162.0	109	108	108
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	304.7	116	116	115
Nonmfg. only, no. of jobs	234.1	131	130	129
Mfg. only, no. of jobs	70.5	84	85	86
Hrs. worked by production workers in mfg., *ave. weekly*	38.9	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	118	118	114
Lackawanna County[2]	***	132	132	125
Luzerne County[3]	***	106	107	100
Hazleton	***	97	95	88
Wilkes-Barre	***	115	114	109
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	358.7	+ 2		
Nonresidential contracts only	146.9	− 17		

[1]Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2]Includes Scranton
[3]Includes Wilkes-Barre and Hazleton
[4]Excludes Wyoming County

	State College			Williamsport			York		
	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	57.1	55.4	3.1	51.7	51.0	1.4	179.0	175.9	1.8
Manufacturing	7.9	7.8	1.3	15.9	16.6	−4.2	61.4	61.3	0.2
Durable goods	5.6	5.5	1.8	10.0	10.7	−6.5	37.8	37.7	0.3
Nondurable goods	2.3	2.3	0.0	5.9	5.8	1.7	23.6	23.6	0.0
Nonmanufacturing	49.2	47.6	3.4	35.8	34.5	3.8	117.6	114.6	2.6
Ave. wkly. hours worked by production workers									
Manufacturing	38.9	39.0	−0.3	39.7	41.0	−3.2	41.7	42.5	−1.9
Durable goods	40.2	40.1	0.2	40.0	41.9	−4.5	42.0	43.4	−3.2
Nondurable goods	36.1	36.7	−1.6	39.2	39.3	−0.3	41.2	41.3	−0.2
Industrial electric power sales index (1977 = 100)	136.7	128.9	6.1	101.2	98.8	2.4	114.2	123.4	−7.5
Employment of Residents									
Employed, no. of persons (thous.)	61.8	59.3	4.2	57.5	56.1	2.5	215.0	208.4	3.2
Unemployed									
No. of persons (thous.)	3.0	3.1	−3.2	3.5	3.2	9.4	9.0	9.3	−3.2
Rate (percentage of labor force)	4.6	5.0		5.7	5.3		4.0	4.3	
Civilian labor force, no. of persons (thous.)	64.8	62.5	3.7	61.1	59.2	3.2	224.0	217.7	2.9

NOTE: All 1989 data are preliminary and are subject to revision.
All data are average of monthly figures.

For the fourth time in five years, factory job levels declined in the metro area. The 71,400 positions maintained in these industries translate into a loss of 300 jobs for the year. Durable goods industries lost 400 jobs while establishments involved in the production of nondurable goods added 200 positions over the year. The region's largest manufacturing industry, apparel products, eliminated 800 positions in 1989. The fabricated metal products and printing and publishing industries each added an additional 200 jobs. In fact, 11 of the 17 industry groups tracked added workers or held payrolls steady through the year, suggesting that job losses were not especially widespread. Some positive news is also found in the 4.3 percent jump in sales of electricity to industrial customers which suggests that production at least held its own despite the job cuts.

While factory job levels remained on a downtrend, nonmanufacturing jobs advanced for the seventh consecutive year in 1989. The 1.7 percent gain from 1988 left the number of jobs in these establishments at 230,800, another new record. On the negative side, last year's gain was only about one-half the average from the previous six years. These industries account for more than 76 percent of all jobs, up from just 68 percent a decade ago.

Job growth in those establishments in the finance, insurance, and real estate category was especially strong, at 3.8 percent. However, job growth in the region's two largest industries, services and retail trade, came in considerably lower than in previous years. Construction jobs were up by 900 last year. At the same time, there was little, if any, growth in the value of construction contracts awarded.

The metropolitan area appears to be more than holding its own relative to the State, at least with respect to recent job and employment trends. While 1989 saw trends in the region quite similar to those in the Commonwealth as a whole, the region has maintained job and employment growth rates 3 to 4 percentage points in excess of those Statewide since the early 1980s.

Williamsport Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	57.5	122	120	120
Unemployed, no. of residents	3.8	88	77	70
Rate, seasonally adjusted	6.4			
Civilian labor force, no. of residents	61.3	119	117	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.3	113	112	111
Nonmfg. only, no. of jobs	36.7	128	128	123
Mfg. only, no. of jobs	15.6	87	88	92
Hrs. worked by production workers in mfg., *ave. weekly*	40.1	102	102	103
Industrial electric power sales	***	115	101	91
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	33.8	+21		
Nonresidential contracts only	9.4	−45		

[1]Lycoming County

Taken as a whole, economic trends suggest that 1989 represented another year of economic growth in the region. However, as with Pennsylvania as a whole, there is no denying that growth slowed as the year progressed. It remains to be seen whether this represents the early stages of recession or whether it is simply another temporary pause in the overall pattern of economic growth. The latter option appears to be the most likely, at least for now.

Williamsport

Nonmanufacturing industries continued to fuel overall economic growth in Lycoming County in 1989, especially in terms of job generation. Specifically, job levels in these establishments rose 3.8 percent for the year, an improvement over the 2.9 percent average from the previous six years. Job growth was quite balanced across most industries. Service jobs rose 4 percent, retail trade by 3.7 percent, and finance by 4.2 percent. Construction trends appeared mixed. While the value of residential contracts increased, a decline was recorded for nonresidential projects in 1989. Building-related jobs increased slightly.

The story is quite different in manufacturing, however. For the year, 700 jobs were lost, leaving 15,900 positions in these establishments, the lowest reading since 1986 and the first decline since 1985. Job losses were especially apparent in the durable goods industries as the nondurables side actually accounted for an additional 100 jobs. There was an especially large drop in the average factory workweek, a trend which typically signals slack hiring trends. On the plus side, industrial power sales, an indicator of production trends, rose by 2.4 percent during 1989. Another positive development is found in recent trends in average hourly earnings. The Williamsport metro area was one of only three of the State's 15 metro regions which realized a gain in average hourly earnings in excess of the estimated rise in prices in 1989.

Employment rose by 1,400 during the year to stand at 57,500, a new record. However, in that the labor force rose by an even larger 1,900, the end result was some upward pressure on unemployment. Specifically, the number of residents officially listed as without a job advanced by 300, the first increase since 1983. Although the 3.2 percent rise in the labor force contributed to the rise in unemployment, such an increase is typically indicative of strong underlying economic conditions. Statewide, the labor force expanded by just 1.6 percent.

The positives certainly outweigh the negatives for the economy as a whole. Activity in the nonmanufacturing sector continues to expand, more than offsetting the sluggishness in the factory sector. While it may be in the process of peaking, employment shows no sign of actually declining and reversing its uptrend of recent years. However, one cannot ignore the apparent slowdown evident as the year wore on. Employment and job growth declined considerably between the first and fourth quarters of the year.

It is quite likely that these trends evident at year-end 1989 will continue into 1990. The outlook is for continued growth, but at a much more subdued pace than in the past. The result is likely to be continued upward pressure on unemployment.

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	57.0	109	108	107
Unemployed, no. of residents	4.2	112	94	100
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	61.2	109	107	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.9	103	101	101
Nonmfg. only, no. of jobs	42.3	110	108	107
Mfg. only, no. of jobs	10.6	82	82	84
Hrs. worked by production workers in mfg., *ave. weekly*	39.8	105	104	107
Industrial electric power sales	***	76	78	77

Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd
Residential contracts only	14.8	−23
Nonresidential contracts only	31.3	−32

[1]Blair County

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	89.6	93	93	92
Unemployed, no. of residents	7.3	73	70	61
Rate, seasonally adjusted	8.0			
Civilian labor force, no. of residents	96.9	91	90	89
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	81.0	92	91	91
Nonmfg. only, no. of jobs	67.3	101	99	100
Mfg. only, no. of jobs	13.4	63	63	64
Hrs. worked by production workers in mfg., *ave. weekly*	38.4	98	100	102
Industrial electric power sales	***	148	140	183

Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd
Residential contracts only	44.8	−19
Nonresidential contracts only	58.7	+61

[1]Cambria and Somerset Counties

Still, the slowdown comes just as the economy appears to have reached a peak. The gains recorded since the early 1980s will certainly not be erased as a result of the current slowdown.

Southwestern Quarter

Altoona

Despite the fact that economic growth appeared to slow in the second half of 1989 in Blair County, strength in the first half resulted in continued expansion for the year as a whole. As has typically been the case in recent years, much of the growth came in the service-producing industries, especially when it comes to job generation. Such a trend is likely to continue well into 1990 as there are few signs of an uptick in activity on the goods-producing side.

The economy's strength is apparent in employment trends. For the year, the number of residents officially listed as employed rose 2.7 percent, slightly higher than the State's 2.2 percent advance. This left employment at a record high of 57,000, the third straight year a new peak has been reached. However, employment growth eased as the year wore on. Similarly, while the number of unemployed fell to its lowest level in more than a decade, joblessness was actually higher than a year ago in the fourth quarter. Clearly, trends on the employment/unemployment front point to an economy that continues to expand, but at a pace that slowed near year-end.

Growth in the number of jobs in Blair County nonfarm establishments, at 1.2 percent, was less than one-half the gain in resident employment. (Such a difference is not uncommon as different methodologies are used to generate the two series.) Between 1983 and 1988, job growth averaged 2.4 percent. Nonetheless, the 1989 total of 52,200 jobs matches the record high set previously in 1978 and 1979.

For the second consecutive year, the factory sector failed to contribute any new jobs. The 10,700 positions in these establishments during 1989 represent a drop of 300 from a year ago and translate into the second lowest reading on record. A decline in the average factory workweek suggests that hiring activity is unlikely to improve over the near-term. Additionally, a slight drop in industrial electricity sales suggests that production was flat last year. Both the durable and nondurable goods industries lost workers in 1989. On the plus side, the 6.3 percent rise in average hourly earnings in the factory sector over the course of the year is the strongest in the State and compares favorably with the 4.7 percent rise in the general price level in the Commonwealth.

This sluggishness in the factory sector implies that the nonmanufacturing sector, just as it has done several times in recent years, supplied all new jobs in 1989. Even here, however, the 2.2 percent increase in jobs was off slightly from the gain averaged during the previous five years. Still, the 41,400 workers in these establishments represent another record. Much of the gain was accounted for by retail trade, with 400 additional jobs. The services industry, which has generated a significant number of new jobs of late, added just 200 jobs last year.

Johnstown

At 1.6 percent, the growth in nonagricultural jobs in Cambria and Somerset Counties last year was slightly higher than the Statewide gain of 1.4 percent and it equaled the average advance from the previous five years. However, despite a string of gains since the early 1980s, the 80,400 jobs in these industries are off by 10,000 from only a decade ago. This suggests that the metro area has yet to regain all of the ground lost during the recessions of the 1980-1982 period.

Construction trends were mixed. Building-related jobs held steady. The value of contracts awarded for residential projects was off by one-fifth from 1988 whereas awards grew by nearly two-thirds on the nonresidential side. For the nonmanufacturing sector as a whole, there were 1,000 additional jobs in 1989 compared to 1988. Jobs in the services industries grew by 2 percent, down from the 3.2 percent average from the previous six years. Retail trade job growth, on the other hand, was considerably stronger than in previous years.

While trends are far from spectacular, the region's factories continue to generate additional employment opportunities. Though small in number, the manufacturing job gains recorded in recent years have started to add up. Since 1983, factory jobs Statewide are down 4 percent. In the bi-county region, they are up 9.7 percent or by 1,200. A slight easing in the average factory workweek brings into question the likelihood of these industries generating additional jobs in 1990. Sales of electricity tumbled by 16 percent in 1989. However, the decline is most likely the result of various technical factors rather than an indication of a plunge in factory output.

As is the case elsewhere in the State, some worrisome trends developed with respect to unemployment as the year drew to a close. Although the jobless rate fell by an additional 0.4 percentage point to 7 percent for the year, it was higher than year-ago readings in both October and November. Indeed, throughout the second half of the year, the number of residents listed as employed surpassed readings from the same period in 1988. While the jobless rate is the lowest it has been since 1975, it is still the second highest with respect to the State's 14 other metropolitan areas.

Still, resident employment advanced 3 percent for the year to 90,300. The record high is nearly 98,000 set in 1979. Not surprisingly, in light of the year-end uptick in joblessness, employment growth slowed considerably in the second half of the year. At an annual rate of 1.4 percent, employment growth over the July-December period was less than one-third the rate of growth for the first six months of the year.

All told, trends in the Johnstown metro area fell pretty much in line with our expectations of a year ago. Further improvement was recorded, partly because of a factory sector that is at least holding steady. Still, the region did not make up much of the ground lost earlier in the decade, at least in relative terms. It can be argued that the past few years have shown the metro area to be performing essentially on par with the State. However, this comes on the heels of a prolonged period in which the region was outperformed by the State by a considerable margin. Hence, a review of the region's economy over the long-term is far from encouraging.

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	937.8	107	106	105
Beaver County	55.7	65	64	64
Unemployed, no. of residents				
Pittsburgh[1]	45.5	77	63	80
Beaver County	4.2	67	63	76
Unemployment Rate, seas. adj.				
Pittsburgh[1]	5.0			
Beaver County	7.3			
Civilian labor force, no. of residents				
Pittsburgh[1]	983.3	105	103	103
Beaver County	59.8	65	64	65
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	897.9	102	101	100
Beaver County	49.8	65	64	65
Nonmfg. only, no. of jobs				
Pittsburgh[1]	771.1	117	116	115
Beaver County	40.4	105	104	105
Mfg. only, no. of jobs				
Pittsburgh[1]	126.5	58	58	57
Beaver County	9.4	25	24	25
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.8	n.a.	n.a.	n.a.
Beaver County	42.4	n.a.	n.a.	n.a.
Industrial electric power sales	***	62	62	65
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	555.4	– 1		
Beaver County	25.2	+ 8		
Nonresidential contracts only				
Pittsburgh[1]	885.1	+53		
Beaver County	26.1	+49		

[1]Allegheny, Fayette, Washington and Westmoreland Counties
[2]Beaver County

Pittsburgh-Beaver Valley

All told, it is safe to say that economic growth remained positive throughout much of the five-county Pittsburgh-Beaver Valley metro area in 1989. This represents a continuation of the recovery period which dates back to roughly 1983. Still, there are some disturbing aspects to the recovery. The region's performance relative to the rest of the State, especially over the long-term, is unimpressive. The region's economy does not appear to be running on all cylinders as the service-producing sector accounts for much of the growth in activity in recent years. A good portion of the decline in joblessness since the recovery began can be traced to a stagnant labor force and a net outflow of residents, many of whom left in search of brighter economic prospects. So, while the economy can be given positive marks, it is important to keep these qualifications in mind.

Housing activity was down in the region as a whole according to trends in the number of new housing units authorized by permit. Much of the decline was concentrated in Allegheny County where the 2,868 permits represent a decline of one-fifth from 1988. Gains were recorded in Washington and Beaver Counties. The number of nonresidential projects authorized was up in the Pittsburgh portion of the region. There was a strong gain in the value of construction contracts awarded for nonresidential projects. Through November, retail sales were up just 3.5 percent in the metro area as a whole, not enough to keep up with the 4.5 percent gain in prices. Sales of nondurable goods rose 6.2 percent for the year, more than offsetting a decline of 1.4 percent on the durable goods side.

Construction jobs in the four-county Pittsburgh region were off by 900 from a year ago in 1989, the second consecutive annual decline. Retail trade jobs were up 1.8 percent, a gain which is down slightly from the average advance from the previous six years. Building-related jobs were also down in Beaver County while retail trade jobs held steady at 10,300. For the nonmanufacturing sector as a whole, job levels were down from 1988 readings in Beaver County, the only metro area in the State to record a decline. In the Pittsburgh region, job levels rose 1.5 percent to a record high of 757,600. Since

State College Area[1]

	Ave. mo. value 4 Q.'89	Average monthly index seas. adj. (1977 = 100) 4 Q.'89	3 Q.'89	4 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	62.6	146	147	143
Unemployed, no. of residents	3.7	132	99	109
Rate, seasonally adjusted	5.5			
Civilian labor force, no. of residents	66.3	146	144	141
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	58.9	142	141	138
Nonmfg. only, no. of jobs	51.2	145	145	140
Mfg. only, no. of jobs	7.8	123	124	122
Hrs. worked by production workers in mfg., *ave. weekly*	38.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	140	138	135
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	64.0	– 4		
Nonresidential contracts only	93.0	+64		

[1]Centre County

the recession bottomed out in 1982/1983, nonmanufacturing job totals have increased 18.3 percent in Pennsylvania. In the Pittsburgh area, the gain has been a much smaller 11.2 percent.

Factory job levels fell by an additional 200 in Beaver County during 1989, the eighth straight year in which jobs have declined. The news was a bit more encouraging in the Pittsburgh metro area as 1,700 factory jobs were added to payrolls in 1989. Job levels have now inched forward minimally in each of the past two years after eight straight years of losses. Nondurable goods industries fared better than did durable goods, at least with respect to job growth in 1989.

Partly because of the gain in factory jobs, total nonfarm job growth in the Pittsburgh area, at 1.5 percent for the year, surpassed the average gain from the previous five years. However, the 884,700 nonagricultural positions still come up more than 30,000 short of readings from a decade ago. Despite the economic recovery's positive impacts elsewhere in the State, nonfarm job levels have actually been on the decline for the past decade in Beaver County and stand at a record low of 49,100.

The most widely watched indicator of economic activity, the unemployment rate, continued to fall throughout the region. The 7.2 percent reading in Beaver County was the lowest in ten years while the 4.6 percent rate in the Pittsburgh metro area represents the lowest reading on record, dating back to 1975. However, the long-term decline in both Beaver County and the Pittsburgh area has come about alongside relatively unimpressive employment and labor force trends. Therefore, caution should be used in interpreting the jobless rate declines.

Labor force participation rates appear to be quite low in each of the five counties in the region, implying that a good deal of slack remains in the labor markets. In 1988, 49.3 percent of the population was counted as in the labor force in Pennsylvania. In the southwestern corner of the State, rates ranged from 32.5 percent in Beaver County to 48.9 percent in Allegheny County. Clearly, labor markets cannot be classified as "tight," despite the downtrend in the unemployment rate.

The region as a whole is likely to continue on its recent slow-growth path with Beaver County trailing. In the absence of any indications of a turnaround nationwide, it is quite unlikely that growth will pick up considerably in the metropolitan area. Hence, there may be some upward pressure on unemployment, especially early in 1990. Retail sales growth is likely to remain minimal while housing is not expected to show improvement for at least several months. All things considered, it appears as if economic growth has peaked, but on the positive side, a recession is not yet in the forecast.

State College

For the fourteenth straight year, the number of Centre County residents counted as employed stood at a record high in 1989. The 61,800 reading represents a gain of 4.2 percent from a year ago, almost double the Statewide advance. However, in the fourth quarter, employment growth was just one-third the rate of advance registered in the first three months of the year which suggests that overall economic growth slowed as the year progressed. The relatively strong 3.7 percent increase in the labor force is also encouraging. Typically, the labor force expands rapidly when underlying employment trends are positive.

The jobless rate fell 0.4 percentage point to 4.6 percent in 1989, its lowest reading since 1974. Similarly, the number of residents officially listed as without a job declined by 100. However, near year-end, there was some upward pressure on unemployment. For instance, in both October and November, the jobless rate stood above year-ago readings. Again, there are signs of a slowdown as we enter 1990.

As has been the case for the past several years, the nonmanufacturing sector continues to lead the way in the metro area. All told, jobs in these establishments rose 3.4 percent in 1989 to another record high of 49,200. This is just slightly below the 3.7 percent advance averaged during the previous six years. Construction jobs were up by a minimal 100. The value of contract awards was down slightly on the residential side but rose by a sharp 64 percent for nonresidential projects. Retail trade establishments led the way by adding 600 new positions in 1989. Service establishments employed just 200 more workers, as job gains have slowed considerably over the past two years in these industries.

The manufacturing sector also made a contribution to job growth last year as the 7,900 factory positions on payroll translate into a minimal gain of 100 over 1988. These industries have fared considerably better in Centre County than in the rest of the State. While job levels are off more than 7 percent since the recovery began in the early 1980s in the Commonwealth, they are actually up by about 500 in the State College metro area. In that some of the region's higher-paying jobs are housed in these establishments, it is of vital importance for the region to maintain its industrial base.

All things considered, 1989 was another impressive year for the Centre County economy. However, several pieces of evidence suggest that economic growth has peaked, probably sometime during the first half of last year. The next several months are likely to see further slowing in the overall pace of activity, but growth should, nonetheless, remain positive.

Northwestern Quarter

Erie

The overall job picture was positive in Erie County in 1989 in part because the factory sector made a contribution in addition to the continued gains recorded by the nonmanufacturing sector. An additional 400 jobs were generated in Erie County's factories last year for a 1.1 percent gain over 1988. Despite two straight years of gains, job levels are still down considerably from pre-recessionary readings. It is quite unlikely that such a shortfall will ever be made up, at least in the foreseeable future. The 2.6 percent gain in average hourly earnings in the factory sector last year fell well short of the 4.7 percent estimated gain in prices in Pennsylvania, implying a loss of purchasing power on the part of the region's production workers.

A 2.9 percent gain in nonmanufacturing jobs left the number of positions on payroll in these establishments at a record high of 80,800 last year. During the previous six-year period, the average annual increase was 2.1 percent. Statewide, nonmanufacturing jobs advanced 1.7 percent in 1989. However, over the course of the recovery, nonmanufacturing job growth has been slightly higher throughout Pennsylvania than in the Erie metropolitan area.

Between them, the retail trade and service industries, which have supplied the majority of new jobs in recent years, accounted for 1,500 additional positions. The construction industry generated an additional 100 jobs. The value of residential construction contract awards advanced by one-third while the value of nonresidential contracts fell by one-fifth. These bits of circumstantial evidence suggest that construction's performance was mixed. More will be known with the release of the permit data in the spring.

For the second consecutive year, resident employment rose to a record level. The 127,000 residents officially listed as employed represent a gain of 4,500 over the year. This advance was strong enough to absorb a net inflow into the labor force of 3,400 and reduce the number of unemployed by 1,100. As a result, the jobless rate fell to 5 percent, its lowest reading in 15 years. However, it is questionable as to whether it is correct to characterize the region as operating at "full employment." In 1988, Erie County's labor force participation rate, at 48.3 percent of the population, was a full percentage point below the Statewide average, suggesting that there remains some slack in overall labor market conditions.

Most evidence suggests that 1989 was a particularly good year for the Erie County economy. The region may have even turned in an above-average year relative to the first several years of recovery. However, as with all of Pennsylvania, a slowdown can be detected in the year-end employment and unemployment figures. On a seasonally adjusted basis, fourth quarter employment totals were below first quarter readings. Also, the jobless trends deteriorated a bit as the year came to a close.

As a result, the outlook calls for some slowing in the pace of overall economic growth. In addition to the year-end warnings, a questionable outlook for the U.S. economy as a whole suggests a restrained forecast for the metro area. What growth there is in the region will most likely be concentrated in the service-producing industries. At best, the goods-producing sector will hold steady. Still, overall growth is expected to remain positive, implying that 1990 will bring about a continuation of the recovery which began in the early 1980s.

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	126.7	113	113	110
Unemployed, no. of residents	7.3	86	67	80
Rate, seasonally adjusted	5.8			
Civilian labor force, no. of residents	134.0	111	110	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	117.8	106	106	104
Nonmfg. only, no. of jobs	82.1	121	120	118
Mfg. only, no. of jobs	35.7	83	84	83
Hrs. worked by production workers in mfg., ave. *weekly*	43.5	105	104	105
Industrial electric power sales	***	112	112	118
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	80.2	+34		
Nonresidential contracts only	46.0	−20		

[1]Erie County

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	51.0	106	104	101
Unemployed, no. of residents	2.5	64	52	59
Rate, seasonally adjusted	4.9			
Civilian labor force, no. of residents	53.5	102	100	98
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	45.2	99	98	95
Nonmfg. only, no. of jobs	33.5	114	113	110
Mfg. only, no. of jobs	11.7	72	71	70
Hrs. worked by production workers in mfg., *ave. weekly*	42.0	n.a.	n.a.	n.a.
Industrial electric power sales	***	105	113	121
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	16.9	−5		
Nonresidential contracts only	17.4	+44		

[1]Mercer County

Sharon

For roughly the second consecutive year, economic trends in Mercer County were among the most impressive in the State during 1989, especially on the job and employment fronts. This has brought to a halt a period lasting several years in which the Sharon metro area was consistently outperformed by much of the rest of the Commonwealth. However, on the negative side, one can legitimately argue that despite the good news of late, the region is still struggling to make up all of the ground lost earlier in the decade.

At 50,500 the number of residents officially listed as

employed was up a strong 5.9 percent in 1989. This is, by far, the largest percentage gain among the State's 15 metropolitan regions. As a result, the jobless rate declined 0.7 percentage point to 4.4 percent. However, signs of upward pressure on joblessness were evident in the final months of 1989, a trend which must be monitored in coming months. Statewide, employment is up more than 13 percent since 1979, the last full year before the onset of recession. In Mercer County, the 1979 reading was just surpassed this year by a minimal 1.2 percent. Clearly, long-term trends are not nearly as impressive as those which are more recent.

In stark contrast to the situation elsewhere in the State, the gain in manufacturing jobs, 6.4 percent for the year, was stronger than nonmanufacturing's 4.2 percent advance. The 11,700 factory positions represent the highest reading since 1982. The 700 jobs added in 1989 came in the durable goods establishments. Nondurable goods job levels held steady. The region's largest manufacturing sector, primary metals, generated an additional 200 jobs during the course of the year. Despite the job gains, sales of electricity to industrial customers, a good qualitative measure of production trends, was down nearly 3 percent from 1988. Another cause for concern is a rather large decline in the average factory workweek which suggests that hiring trends may weaken in 1990. Indeed, the job gain in the fourth quarter, which totaled 500 from a year ago, was only about one-half the gain in the first three months of the year.

The 32,500 positions in the region's nonmanufacturing establishments represent another record high. Since the onset of recovery, these jobs have grown by more than 11 percent, considerably less than the gain in the Commonwealth as a whole. Retail trade led the way last year with a gain of 600 jobs. The service industries accounted for 400 new jobs.

All told, the region was home to 44,200 jobs in its nonagricultural establishments, up 4.7 percent for the year, but still more than 6 percent below pre-recessionary readings. Again, there were signs of a slowdown as the year wore on. In the first quarter, nonfarm job growth came to 5.4 percent. During the final three months of the year, growth came to a still-impressive 4.1 percent. All things considered, conditions do not yet warrant discussions of a significant dropoff in overall economic activity.

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value 4 Q.'89	Average monthly index seas. adj. (1977 = 100) 4 Q.'89	3 Q.'89	4 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	316.4	126	124	123
Unemployed, no. of residents	14.0	95	80	82
Rate, seasonally adjusted	4.4			
Civilian labor force, no. of residents	330.4	124	122	120
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	309.2	125	124	122
Nonmfg. only, no. of jobs	257.9	134	133	130
Mfg. only, no. of jobs	51.4	94	94	95
Hrs. worked by production workers in mfg., *ave. weekly*	40.3	n.a.	n.a.	n.a.
Industrial electric power sales	***	78	72	90
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	274.4	+ 7		
Nonresidential contracts only	200.8	– 15		

[1]Cumberland, Dauphin, Lebanon, and Perry Counties

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Economic growth in the four counties of the Harrisburg-Lebanon-Carlisle region came in just slightly above trends for the State as a whole in 1989. Still, it appears safe to conclude that the gap between the region's overall growth rate and that for the rest of the State has narrowed of late. Despite the recent easing in the pace of overall growth, the metro area's economy remains one of the strongest in the State, a characteristic common to much of southeastern Pennsylvania.

The 254,000 jobs in the region's nonmanufacturing establishments represent a gain of 6,200 or 2.5 percent over 1988. During the previous six years, growth averaged 3.2 percent each year. The job total for 1989 also translates into a record high, the seventh consecutive year such a peak has been attained.

Those nonmanufacturing industries with record job totals in 1989 were: construction, wholesale trade, retail trade, finance, and services. The value of construction contract awards for residential projects rose a minimal 7 percent while a 15 percent decline occurred on the nonresidential side.

Following slight gains in each of the past two years, factory job levels were down by 400 or 0.8 percent. All told, there were 51,600 jobs in these establishments during 1989. Since the economic recovery began in the early 1980s, manufacturing job levels have declined 1.9 percent in the

Lancaster Area[1]

	Ave. mo. value 4 Q.'89	Average monthly index seas. adj. (1977 = 100) 4 Q.'89	3 Q.'89	4 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	217.0	138	137	135
Unemployed, no. of residents	8.9	104	80	89
Rate, seasonally adjusted	3.9			
Civilian labor force, no. of residents	225.9	136	134	133
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	190.8	134	133	132
Nonmfg. only, no. of jobs	132.2	155	153	149
Mfg. only, no. of jobs	58.5	103	104	106
Hrs. worked by production workers in mfg., *ave. weekly*	41.1	102	102	102
Industrial electric power sales	***	141	142	140
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	304.0	+11		
Nonresidential contracts only	136.4	+43		

[1]Lancaster County

metropolitan area. Statewide, losses come to more than 7 percent. It appears safe to say that the region has not been as adversely impacted by the difficulties in the manufacturing sector as other regions of the Commonwealth.

Resident employment rose another 3.3 percent in 1989 in the four-county region. Over the previous six-year period, employment growth averaged 2.8 percent each year. For the year, employment totaled 317,300, up by 10,100 from a year ago. This helped absorb a net inflow into the labor force totaling 9,700 and it reduced the number of unemployed by 400. All told, the jobless rate came in at 3.7 percent, down from 4 percent in 1988. Since the early 1980s, employment has increased 21.2 percent in the region, one-third greater than in the State as a whole.

However, as the year came to a close, there was some upward pressure on unemployment, and the growth in employment began to ease. In each of the four counties in the metropolitan area, annual growth in employment declined between January and December. In Cumberland County, growth came to 3.8 percent in January. By December, growth was cut in half, resulting in a 1.9 percentage point drop. In each of the other three counties of the region, December growth was down 1.8 percentage points from January. It should be noted, however, that the region was one of only four metro areas in Pennsylvania to realize an increase in nonfarm job growth between the first and fourth quarters of 1989. Hence, the slowing pattern evident at year-end does not appear to have been especially pronounced.

The consensus forecast for the U.S. economy is for some slowing in the year ahead. Since trends nationwide usually dictate the direction of activity in the region, the slowing pattern evident in the final months of 1989 will carry on into 1990. It must be stressed that the forecast is for a slowdown in growth, not negative growth. Nothing on the horizon suggests that the recovery is about to come to an end.

Lancaster

Although the 3.4 percent increase in the number of Lancaster County residents officially listed as employed represents a decline from 1988's 4 percent advance, it still left employment at a record high for the sixth consecutive year. All told, employment stood at 218,200 during the year for a gain of 7,200 from 1988. The region continues to experience healthy growth in the labor force, a trend typically associated with strong overall employment conditions. The 3.1 percent labor force gain in 1989 was almost double the Statewide average.

While unemployment declined once again, the jobless rate dropped from 3.5 percent in 1988 to 3.2 percent in 1989, some worrisome trends developed near year-end. The number of unemployed fell by 400 over the course of the year, but in the fourth quarter, the absolute level of unemployment was actually up by 1,300 over 1988:IVQ. The same trend was evident Statewide where it carried over into the first month of the new year. Only time will tell if unemployment will be subject to upward pressure in Lancaster County during 1990.

For the first time since 1985, factory job levels declined in 1989 in the Lancaster metro area. Specifically, they were off 1.5 percent or by 900 in settling at a reading of 59,200. However, while factory job levels in much of the rest of the Commonwealth hover near all-time lows, job readings in Lancaster County remain just below record high readings. The average factory workweek also remained near an all-time high, suggesting that significant job losses are not in the offing as of now. Industrial power sales edged up 2.4 percent last year which suggests that production probably held its own. The region's 5.2 percent increase in average hourly earnings in the factory sector last year was the third highest in the State and surpassed the 4.7 percent estimated increase in the price level.

Last year's job losses were spread evenly across the durable and nondurable goods industries. The region's largest manufacturing industries such as fabricated metals, food products, and printing and publishing witnessed minimal declines or held job levels steady.

Nonmanufacturing job levels rose 3.9 percent during 1989, down from the 4.7 percent average from the 1982-1988 period. In absolute terms, the 129,400 jobs in these establishments in 1989 represent a gain of just under 5,000 over 1988 levels. Between them, the services and retail trade industries, which have provided the bulk of all new jobs in recent years, accounted for 3,500 new positions in 1989. The construction industry added 500 new jobs. Construction contract values show some growth on both the residential and nonresidential sides.

All things considered, 1989 was another solid year for the Lancaster County economy. Some argue that the growth in the region is tapped out, that gains similar to those recorded over the past several years are unlikely in the future. The region's labor force participation rate, at 54.4 percent in 1988, was surpassed by only four other counties in the State and was well above the 49.3 percent average for the Commonwealth as a whole. Whether or not an adequate labor pool exists to fuel further economic growth in Lancaster County is questionable.

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	2,349.1	124	123	123
Unemployed, no. of residents	96.3	59	51	56
Rate, seasonally adjusted	4.2			
Civilian labor force, no. of residents	2,445.5	118	117	117
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,205.6	120	119	119
Nonmfg. only, no. of jobs	1,839.4	132	131	131
Mfg. only, no. of jobs	365.0	82	82	82
Hrs. worked by production workers in mfg., *ave. weekly*	40.8	102	102	102
Industrial electric power sales	***	110	112	111
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	1,654.0	−16		
Nonresidential contracts only	1,939.4	+13		

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Philadelphia

While much of the rest of southeastern Pennsylvania turned in another impressive performance in 1989, the Philadelphia metropolitan area's showing was lackluster, at best. Except for the possible exception of retail trade, no sector stands out as turning in an above-average performance. This represents a significant change from the mid 1980s when the metro area was among the strongest in the State. Still, for 1989, the positives outweighed the negatives and the region continued to advance.

On the bright side, retail sales were up 7.6 percent through November relative to the first 11 months of 1988. The increase is more than double the gain recorded in Pennsylvania and represents an improvement over 1988's 5.5 percent advance. Not surprisingly, sales growth for nondurable goods, at 10.2 percent, was especially impressive. The one notable drop came in sales by automobile dealers, a trend evident Statewide. Retail trade establishments generated an additional 3,600 jobs over the course of the year. In percentage terms, the job gain fell well short of the average from the previous six years.

Overall, construction activity appeared to shrink in 1989. Job levels advanced by a minimal 700. A gain in contract values on the nonresidential side was offset by a decline for residential projects. Most importantly, the number of new housing units authorized by permit declined by nearly one-fourth for the five Pennsylvania counties in the region. The number of permits for new nonresidential projects fell 10 percent short of 1988 figures.

For the nonmanufacturing sector as a whole, jobs were up a minimal 1 percent last year to stand at 1,821,200. Of the 14 other metropolitan areas within the Commonwealth, 13 had stronger nonmanufacturing job growth rates. Over the 1982-1988 period, job growth averaged more than 3 percent per year. Jobs in the services industry rose by 11,700 during the year. Health services, which accounts for 30 percent of all service jobs, added 4,300 new jobs or 37 percent of the total gain in the service sector.

In terms of job trends, the factory sector continued to have its fair share of problems. Jobs receded for the fifth consecutive year. All told, the 364,800 jobs in these establishments represent another all-time low. Job losses in these industries are quite similar in magnitude to declines evident in the State as a whole. On the plus side, electricity sales to industrial customers continued to advance, suggesting that production is at least holding its own. Also, the average hourly workweek is holding fairly steady near record high readings.

Last year's factory job losses were concentrated in the durable goods industries. This represents a continuation of the long-term trend. Since 1979, durable goods jobs in the metro area declined by 22 percent. On the nondurable goods side, the decline works out to 17 percent. The region's largest manufacturing industry, printing and publishing, employed 100 more workers in 1989 compared to 1988. The second largest, nonelectrical machinery, saw job levels shrink by 300 over the course of the year.

Although the metro area's jobless rate, at 3.8 percent, was well below the State's 4.5 percent reading, employment growth was considerably lower than in the Commonwealth. Specifically, last year's 1.5 percent gain in employment fell 0.7 percentage point below Pennsylvania's 2.2 percent gain. The shortfall in employment growth relative to Statewide trends represents a recent turn of events. In fact, comparisons with the early 1980s suggest that employment growth was actually stronger in the Philadelphia metro area than in the Commonwealth. A deterioration in overall employment and unemployment trends was evident as 1989 came to a close.

The next year will likely mirror trends from 1989. Growth will continue, but it will fall well below Statewide, and especially nationwide, norms. Once again, the goods-producing industries will hold overall growth back and the weakness in those industries will continue to spill over into the service-producing sector. Perhaps the most discouraging trend likely to occur in 1990 will be a continuation of the upward pressure on unemployment which first became evident in the final months of 1989.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	173.5	126	126	124
Unemployed, no. of residents	7.5	96	73	88
Rate, seasonally adjusted	4.6			
Civilian labor force, no. of residents	181.0	124	122	122
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	157.5	118	117	115
Nonmfg. only, no. of jobs	108.2	132	130	128
Mfg. only, no. of jobs	49.3	96	96	95
Hrs. worked by production workers in mfg., *ave. weekly*	41.3	104	105	104
Industrial electric power sales	***	140	142	141
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	158.6	+12		
Nonresidential contracts only	157.6	+61		

[1]Berks County

Reading

Nonagricultural job growth in Berks County was quite impressive in 1989. All told, jobs totaled 154,100, a gain of 2.7 percent over a year ago. Over the 1982-1988 period, job growth averaged just 1.8 percent. Statewide, last year's gain came to just 1.4 percent. On the negative side, growth did ease as the year wore on. In the first quarter, jobs totaled 3.3 percent more than in the same period in 1988. During the final three months of the year, that growth rate was cut by one-third.

Once again, the nonmanufacturing sector accounted for the majority of all new jobs. The 3.2 percent gain in these jobs came on the heels of a 2.9 percent gain in 1988. All told, the 105,300 jobs in these establishments translate into a gain of 3,300 positions over 1988. Job levels have remained at

record readings since 1983. The services industries accounted for 1,100 new jobs in 1989 while the retail trade sector added 900 new employees. Building-related jobs advanced by about 400. The value of construction contract awards increased for both residential and nonresidential projects.

Manufacturing jobs have now increased for two straight years following three consecutive years of decline. The 48,800 jobs in these industries work out to a gain of 800 or 1.7 percent over 1988 levels. In combination with an uptick in the average workweek and in industrial power sales, this information suggests that the factory sector is holding its own. Job gains were fairly widespread as 9 of the 13 industries tracked either added jobs or held job levels steady. Leading the way was the food products industry with 500 additional jobs in 1989. The electronic equipment industry added 400 new positions.

Not surprisingly, employment and unemployment trends remained quite encouraging. Employment rose by 6,500 to another record high of 172,400. This gain was strong enough to absorb a net inflow into the labor force totaling 5,800 and reduce the number of unemployed by 600. The end result was a reduction in the unemployment rate of 0.5 percentage point as it came in at 3.9 percent for the year. Employment/unemployment trends have been impressive for the past several years. This has resulted in concerns over a potential labor shortage. Indeed, in 1988, the labor force participation rate in Berks County, at 53.2 percent, came in considerably higher than the Commonwealth's 49.3 percent reading. This suggests that labor markets are relatively tight in the region.

The year-end slowdown was also evident in employment and unemployment trends, however. Employment growth was cut by two-thirds as the year progressed. The number of residents counted as unemployed came in higher than year-ago readings in each of the final three months of 1989.

That slowdown did little to subtract from previous gains. As a result, 1989 was another banner year for the Reading metropolitan area. Year after year, Berks County turns in one of the strongest economic performances in the State. When the next national recession does occur, and it is not in our forecast for 1990, the region should hold up quite well, at least in relative terms.

York

The York metropolitan area economy continues to perform at a pace a notch or two above the State as a whole, just as it has been doing throughout much of the 1980s. At the same time, some worrisome trends evident Statewide are also characteristic of the bi-county region. Specifically, there remains a relatively large gap between the performances of the service- and goods-producing sectors. Also, several measures of economic activity did slow a bit as the year came to a close.

These trends will likely limit growth into 1990. In light of the sub-par performance expected for the U.S. economy this year, it is doubtful that activity will increase by any appreciable amount in Adams and York Counties. But still, the past several years have left the economy operating at or near record levels of activity. The slowdown which is forecast will not subtract a great deal from those gains.

The economy's relative strength was evident in last year's employment and unemployment trends. The increases in the labor force and in employment were considerably stronger than in Pennsylvania and the region's 4 percent jobless rate was 1.5 percentage points below the Statewide average. The 215,000 residents officially listed as employed in 1989 represent another record high, the sixth straight year in which a new peak has been reached. However, just as elsewhere in the State, some slowdown is evident near year-end. During the first three months of the year, employment was up by 11,300 over a year ago. By the fourth quarter, that increase had been cut to 2,900.

There was a minimal gain of 100 jobs in the factory sector. All told, these establishments were home to 61,400 jobs last year. However minimal the gains have been, the past three years have brought additional factory jobs to the region. In light of the downtrend in factory jobs Statewide, any new jobs in these all-important industries are welcome. While much of the rest of Pennsylvania has lost manufacturing jobs over the course of the current recovery, job levels in the York metropolitan area have increased 5.8 percent from their recessionary lows.

On the nonmanufacturing side, job levels grew a much stronger 2.6 percent last year. However, during the 1982-1988 period, the gain averaged 4 percent per year. Still, the 117,600 positions in these establishments translate into another record high. Between them, the services and retail trade industries accounted for 2,000 new jobs last year. In the former, jobs are up by more than one-half since 1979. Retail trade jobs have increased by one-third over the past decade. The gains recorded in both industries have been considerably stronger than in the State as a whole.

York Area[1]

	Ave. mo. value 4 Q.'89	Average monthly index seas. adj. (1977 = 100) 4 Q.'89	3 Q.'89	4 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	214.0	138	137	136
Unemployed, no. of residents	9.6	101	90	94
Rate, seasonally adjusted	4.4			
Civilian labor force, no. of residents	223.7	136	134	134
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	180.7	126	126	125
Nonmfg. only, no. of jobs	119.7	144	143	141
Mfg. only, no. of jobs	61.0	102	102	103
Hrs. worked by production workers in mfg., *ave. weekly*	41.9	102	102	103
Industrial electric power sales	***	106	109	125
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	242.4	+ 4		
Nonresidential contracts only	99.1	-29		

[1]Adams and York Counties

There may be some softness in construction activity. Contract values were off 29 percent on the nonresidential side last year to go along with a minimal gain of just 4 percent on the residential side. Permit authorizations for new housing units were down 23 percent last year in Adams County. (York County data are not available.) On the other hand, a 9 percent gain was recorded for nonresidential permits. Building-related jobs rose by 200 for the year, a gain of 2.1 percent. Over the course of the 1982-1988 period, construction jobs rose by an average of 8.6 percent each year.

— *William D. Anderson*

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